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GENSTAR
Annual Report 1972

HIGHLIGHTS OF 1972

GENSTAR LIMITED

Income	**1972**	1971
Revenues	**$359,130,000**	$276,383,000
Funds from Operations	**31,084,000**	22,440,000
Depreciation, Depletion and Amortization	**16,188,000**	11,075,000
Income before Extraordinary Item	**15,011,000**	10,754,000
Extraordinary Item	**(687,000)**	
Net Income	**14,324,000**	10,754,000

Income per Common Share	**1972**		1971
Canadian Method	*Before extraordinary Item*	*Net Income*	*Net Income*
Basic	**$1.67**	**$1.59**	$1.22
Fully Diluted	**1.41**	**1.35**	1.18
United States Method			
Primary	**1.66**	**1.58**	1.21
Fully Diluted	**1.43**	**1.37**	1.21

Annual Meeting

The Annual General Meeting of Genstar Limited will be held on Monday, April 30, 1973 at 10.30 a.m., in the Auditorium on floor Mezzanine 2 of The Royal Bank of Canada Building, One Place Ville Marie, Montreal, Canada.

Les actionnaires qui désirent recevoir ce rapport en français sont priés d'en faire la demande au Secrétaire de la Société.

De aandeelhouders die dit jaarverslag in het nederlands wensen te ontvangen zijn verzocht zich aan de sekretaris van de maatschappij te wenden.

Contents

Conveying and stockpiling limestone at the Company's Edmonton cement plant.

DIRECTORS

*CHARLES de BAR
Executive Vice-President of the Company

HENRY BLAISE
Director of Companies

YVES BOËL
Managing Director, Sofina S.A.

F. CAMPBELL COPE, Q.C.
Partner, Ogilvy, Cope, Porteous, Hansard, Marler, Montgomery & Renault

CHARLES EVRARD
Managing Director
Mercantile Marine Engineering & Graving Docks Company

W. LESLIE FORSTER, C.B.E.
Consultant

*AUGUST A. FRANCK
President of the Company

RENÉ LAMY
Director, Société Générale de Belgique

*HERBERT H. LANK
Industrialist

ANGUS A. MacNAUGHTON
Executive Vice-President of the Company

JAMES P. McALLISTER
President, McAllister Bros. Inc.

*W. EARLE McLAUGHLIN
Chairman and President, The Royal Bank of Canada

JOHN D. MILNE
Director, The Associated Portland Cement Manufacturers Limited

MAX NOKIN
Governor, Société Générale de Belgique

SAUL SIMKIN
Chairman of the Board,
BACM Industries Limited

*EDWARD C. WOOD
Chairman of the Board of the Company,
Director, The Royal Bank of Canada

WILLIAM S. ZIEGLER
Chairman of the Board, Inland Cement Industries Limited

*Member of the Executive Committee

OFFICERS

Senior Officers

EDWARD C. WOOD
Chairman of the Board

AUGUST A. FRANCK
President

CHARLES de BAR
Executive Vice-President

ANGUS A. MacNAUGHTON
Executive Vice-President

Genstar Western Limited

ROSS J. TURNER
President

E. JOHN CUYLER
Vice-President, Development

Corporate Officers

BERNARD T. JOHNSON
Senior Vice-President

GEORGE W. RUTLEDGE
Vice-President and Treasurer

LAWRENCE R. SINCLAIR
Vice-President and Comptroller

A. JAMES UNSWORTH
General Counsel

LORIMER E. WHITWORTH
Manager, Planning and Development

E. CLAUDE MOLLEUR
Secretary

D. MORLEY ABOUSSAFY
Assistant Comptroller

EDWARD B. CLARK
Assistant Comptroller

GRAHAM M. WILSON
Assistant Treasurer

Counsel

OGILVY, COPE, PORTEOUS, HANSARD, MARLER, MONTGOMERY & RENAULT, Montreal, Canada

SHEARMAN & STERLING,
New York, U.S.A.

Auditors

COOPERS & LYBRAND,
Montreal, Canada

Transfer Agents & Registrars

MONTREAL TRUST COMPANY —
TRANSFER AGENT Saint John, Montreal, Toronto, Winnipeg, Edmonton and Vancouver, Canada

THE ROYAL TRUST COMPANY —
REGISTRAR Saint John, Montreal, Toronto, Winnipeg, Edmonton and Vancouver, Canada

MORGAN GUARANTY TRUST COMPANY OF NEW YORK —
CO-TRANSFER AGENT
New York, U.S.A.

THE FIRST NATIONAL CITY BANK —
CO-REGISTRAR New York, U.S.A.

Stock Exchanges

Montreal, Toronto, Calgary, Vancouver Stock Exchanges in Canada

New York Stock Exchange in the United States

Antwerp and Brussels Bourses in Belgium

Corporate Office

One Place Ville Marie,
Montreal 113, Canada

Genstar Western Limited

Vancouver, Canada

REPORT OF THE DIRECTORS

The past year has been one of continued growth in Genstar earnings. Income per share before an extraordinary item reached an all-time high of $1.67 compared to $1.22 in 1971, an increase of 37%. Shareholders will remember that 1971 was also a very satisfactory year, as earnings per share for that year rose by 35% over the previous record level of 1969. In 1972, the Company achieved a return on shareholders' equity of 11.1% thereby surpassing its announced objective of a 10% return, as established five years ago when the return was 5.7%.

The significant improvement achieved in 1972 reflects higher income in most operating units, together with the contribution from the operations of Ocean Cement & Supplies acquired effective January 1, 1972, and integrated during the year with the Company's cement and building materials divisions.

During the year, certain unprofitable operations were discontinued resulting in an extraordinary loss of 8 cents per share.

Operations

The generally improved economic conditions of 1972 have benefited the Company, particularly in Western Canada. Construction contract awards in Western Canada were up by 18%, and housing starts by 11% over 1971. As a result, the Company's operations in this region, which include the manufacture and distribution of cement and building materials, heavy construction, land development and housing, have shown further progress over last year. Marine activities, despite labour difficulties on both coasts, profited from a higher level of shipments in the pulp and paper industry in British Columbia and from salvage and new pollution control work undertaken in Eastern Canada.

Earnings from venture capital and real estate operations in California have exceeded those recorded in 1971. A number of the venture capital portfolio companies made public offerings during the year, an indication of their continued growth. Furthermore, five companies were added to the portfolio, and additional investments were made in two companies during the year.

The Company's chemicals and fertilizers division in Eastern Canada has achieved economies in operations and increased production efficiency. A trend to a more balanced supply and demand situation in the chemical and fertilizer industries was also evidenced during the year.

The performance of the Company's import-export division in the United States also improved during 1972. Revenues and earnings exceeded expectations, reflecting the reorganization effected in prior years and the improved economic climate in the United States. However, earnings of Canadian operations were affected by the currency realignments in 1971 which raised the price of European steel by approximately 10% on the Canadian market.

Labour Environment

The Company believes its labour relations to be satisfactory, with over 7,000 employees in the organization governed by more than 75 collective agreements. Although the three strikes which occurred in the Company's operations were of short duration, a number of lengthy labour interruptions were encountered in the industries which the Company serves. The cement and concrete products divisions in British Columbia operated at reduced levels from March to late July due to strikes in the construction industry in that province. Strikes also reduced activity in similar operations in Southern Saskatchewan, in the marine transportation operations in British Columbia and in the docking operations in the port of Montreal.

Significant Events

In November, the Company drew down a $30,000,000 term bank loan and reduced short term indebtedness, thereby improving its working capital position. In connection with this loan, the Company granted an option to the lending bank to purchase 116,666 common shares at $13.91 per share. During 1972, two acquisitions were made. In June, Seaspan International Ltd. of Vancouver, a 50% owned company, acquired for cash and notes, F. M. Yorke & Son Ltd., also of Vancouver. This company operates self-propelled rail barges, tow barges and tugs on the West Coast, and also leases car barges on the Great Lakes. In April, Genstar increased its ownership from 50% to 100% in a Vancouver-based manufacturer of precast building components.

In December, Genstar also agreed to exchange 133,334 of its common shares for all the issued and outstanding shares of Richard B. Smith, Inc., of Tustin, California. This company is a well-known developer and builder of quality homes in Southern Orange County.

In line with expanding operations in Western Canada, Mr. Ross J. Turner was appointed president of Genstar Western Limited, a new subsidiary located in Vancouver. Mr. Turner's principal function is the coordination of Genstar's cement, building materials, heavy construction and land development and housing operations in Western Canada. In addition, Mr. Turner, as a director and former president of Seaspan International Ltd., will continue to provide his advice and counsel to that company.

Outlook

Turning to the future, the Company anticipates the economic expansion experienced in 1972 to continue through 1973. The outlook for construction activity in Manitoba, Saskatchewan and Alberta is favourable. Housing starts are forecast to remain at a high level, and non-residential construction is expected to be buoyant in the current year.

The Company, therefore, expects its cement, land development and housing, and building materials operations in this area to maintain or exceed their 1972 levels. In addition, the Company's heavy construction activities should profit from the continued development of the Canadian North.

Business activity on Canada's West Coast gained momentum during the last quarter of 1972, and the Company believes this pace will continue in the current year and provide added impetus to its cement and building materials operations in this area. Further, the resurgence of the pulp and paper industry in British Columbia should continue to benefit the Company's marine activities.

In Eastern Canada, farm cash income improved during 1972, a sign of recovery from the depressed conditions of the past few years in the agricultural industry. As a result, Genstar's chemicals and fertilizers division should return to a healthier position.

In the United States, the rapid growth of the economy experienced in the past year is forecast to carry on into 1973. In particular, the California economy is experiencing renewed vigor in the technology-based manufacturing sector and residential construction remains a strong point in the state economic picture. The Company's present position in this area, through its venture capital and real estate operations, will enable it to participate in these growing markets.

Objectives

The Company is actively pursuing a long-range objective of broadening its earnings base, since over 75% of current earnings are derived from integrated cement, building materials, heavy construction, land development and housing activities. New spheres of activity are constantly being investigated and, during the past year, a number of companies in financial services were examined. Efforts to seek entry into this area are presently being intensified.

Dividends

In 1972, the Company adopted, for the first time, a semi-annual dividend policy. A dividend of 30 cents per share was declared in June and a dividend of 35 cents per share in November. This compares with an annual dividend of 60 cents in 1971.

The Company expects to continue the semi-annual dividend practice in the future, notwithstanding the fact that only a small proportion of its earnings are generated in the early months of the year owing to the seasonal nature of certain operations and reduced activity in the first quarter due to Canada's climate.

In 1972, we were pleased to welcome to our Board of Directors Mr. Charles Evrard, Managing Director of Mercantile Marine Engineering & Graving Docks Company.

Our progress during the past year was made possible through the efforts of all our employees and, on behalf of the Board of Directors, I would like to express our appreciation and thanks to them for their continued support.

On behalf of the Board,

Franck

A. A. Franck
President

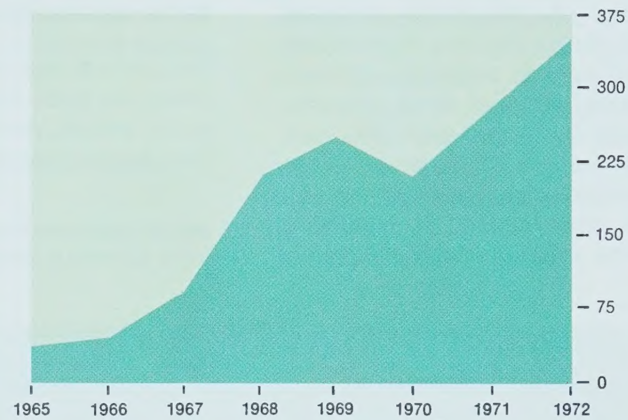
Montreal, March 9, 1973.

FINANCIAL REVIEW

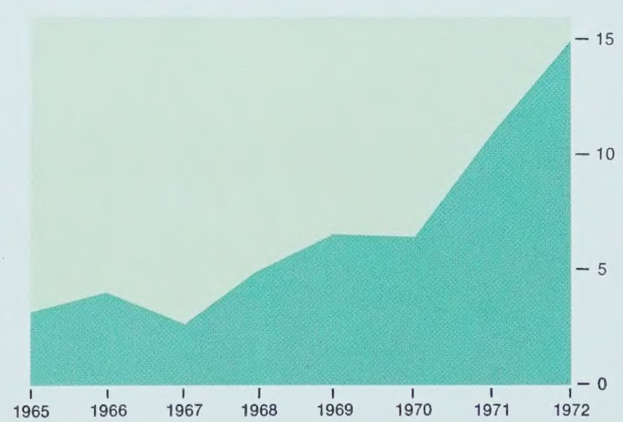
RETURN ON SHAREHOLDERS' EQUITY *(thousands of dollars)*	**1972**	1971	1970	1969	1968
REVENUES	**359,130**	276,383	204,567	246,057	205,506
COST AND EXPENSES					
Cost of sales, operations and expenses	**304,152**	237,594	174,997	211,582	180,177
Depreciation, depletion and amortization	**16,188**	11,075	10,471	10,199	8,001
Interest	**9,896**	6,736	7,280	6,852	5,229
	330,236	255,405	192,748	228,633	193,407
INCOME BEFORE THE FOLLOWING	**28,894**	20,978	11,819	17,424	12,099
Provision for income taxes	**13,353**	9,627	5,261	8,810	5,958
Loss (income) on operations of discontinued businesses, net of income taxes	**400**	476	16	27	17
Minority interest	**130**	121	236	2,031	1,193
	13,883	10,224	5,513	10,868	7,168
INCOME BEFORE EXTRAORDINARY ITEMS	**$ 15,011**	$ 10,754	$ 6,306	$ 6,556	$ 4,931
SHAREHOLDERS' EQUITY	**$135,810**	$126,452	$119,390	$104,252	$ 86,694
RETURN ON SHAREHOLDERS' EQUITY	**11.1%**	8.5%	5.3%	6.3%	5.7%
INCOME PER COMMON SHARE *(Based on average number of shares outstanding)*					
Income before extraordinary items	**$ 1.67**	$ 1.22	$ .75	$ .90	$ .75
Net income	**1.59**	1.22	.68	1.16	.76
Cash dividends	**.65**	.60	.40	.70	.65
Funds from operations	**3.46**	2.48	2.21	2.84	2.51
OTHER STATISTICS *(thousands except employees)*					
Working capital	**$ 50,931**	$ 18,515	$ 20,316	$ 39,679	$ 26,838
Investments	**41,824**	41,573	35,275	25,975	33,382
Fixed assets	**257,463**	253,674	169,267	180,996	163,188
Long-term debt	**103,596**	85,492	50,301	58,549	62,946
Shares outstanding — average	**8,991**	8,828	8,416	7,319	6,587
— actual	**9,043**	8,963	8,807	7,781	6,816
Number of employees	**7,250**	6,250	4,300	5,100	4,600

1967	1966	1965
98,602	51,965	42,832
85,334	38,076	31,558
5,588	4,919	4,374
2,439	2,055	1,686
93,361	45,050	37,618
5,241	6,915	5,214
2,433	3,203	2,191
(3)	(25)	(234)
	37	37
2,430	3,215	1,994
$ 2,811	$ 3,700	$ 3,220
$ 80,018	$ 76,943	$ 75,718
3.5%	4.8%	4.3%
$ .45	$ .60	$ .52
.61	.67	.52
.65	.65	.60
1.71	1.98	1.68
$ 3,272	$ 3,036	$ 3,806
31,732	21,733	22,238
104,064	100,701	92,731
28,506	26,515	28,447
6,282	6,192	6,192
6,357	6,192	6,192
1,900	1,900	1,800

Revenues (millions of dollars)



Income Before Extraordinary Items (millions of dollars)



The following pages contain comments on the operations of the industrial categories within Genstar. In addition, the results of operations, shareholders' equity and return on this equity for each category have been presented for the past five years.

Shareholders' equity represents the net assets of the Company employed in each category at the end of each year less a pro-rata allocation of debt regardless of the specific purpose for issuing the debt. Interest and administrative expenses have been allocated to the industrial categories generally on the basis of net assets employed. Accordingly, the income and return on shareholders' equity of each industrial category represent its proportion of the total.

BUILDING MATERIALS, HEAVY CONSTRUCTION, LAND DEVELOPMENT AND HOUSING

Building Materials

Demand for the Company's concrete building supplies across Western Canada during 1972 was strong. The acquisition of Ocean Cement & Supplies Ltd. in British Columbia at the beginning of the year, together with stronger markets, produced a building materials sales volume double that of the previous year. While an extended strike affecting the B.C. construction industry and the reorganization of the supply operations of Ocean Cement along functional lines produced a challenging year for the Pacific Region, this division was nonetheless a significant contributor to Company earnings. Approximately 80% of the sales volume in ready-mix concrete, aggregates and concrete block and pipe was generated in the four major markets of Winnipeg, Calgary, Edmonton and Vancouver. However, the viability of the division's smaller operations in other centres is continuing evidence of the growth taking place throughout Western Canada. There are early indications that sales activity in 1973 will continue at or above current levels across the region. The Company's "Truroc" gypsum wallboard, manufactured to quality standards in two modern plants on the Prairies, has maintained a strong position in a very competitive industry. Recent negotiations have concluded labour contracts for the next two years. In 1973, the Company anticipates a continuation of rising costs, pressure on prices and only a marginally higher demand for gypsum wallboard.

The precast and prestressed concrete activity is operated under the trade name "Con-Force Products" and with five plants across Western Canada the Company is a leading manufacturer and developer of building systems and precast

Precast components are shipped from Vancouver for the new State office building in Alaska.

products. Among important contracts obtained by the division is one to build a new grandstand for the Calgary Stampede which will require specialized production techniques.

In April, the remaining shares of a Vancouver precast manufacturer were acquired by the Company. These operations have been integrated with the Con-Force division which previously did not serve the Pacific Coast market. As limited use has been made to date of precast components in the Vancouver area, the Company views this market as having considerable potential.

Heavy Construction
Earnings of the Company's heavy construction operations showed an increase in 1972 on larger sales volume, reflecting the improvement in this sector of the economy. However, as in recent years, earnings did not present a uniform picture in all areas, as some units experienced difficult operating conditions. A review of operations was undertaken in the spring, resulting in the reorganization of heavy construction activities into two segments: heavy engineering construction for major projects, and city and provincial services. This functional organization is designed to promote specialization and to direct management capability toward new areas of opportunity. Greater emphasis on the development of resources in the Canadian North is already providing activity for the heavy engineering construction division, which, following a profitable year, enters 1973 with a backlog substantially in excess of that of a year ago. Included in this

Installation of municipal services in Northern Manitoba by the Company's Heavy Construction operations.

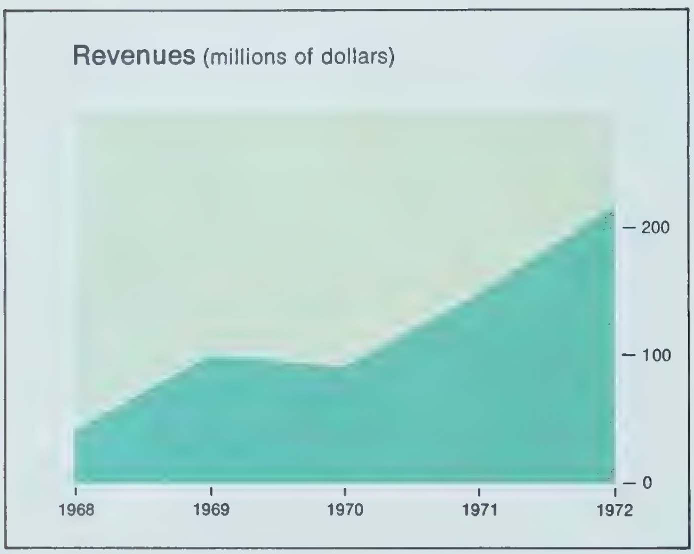
Building of a Manitoba dam.

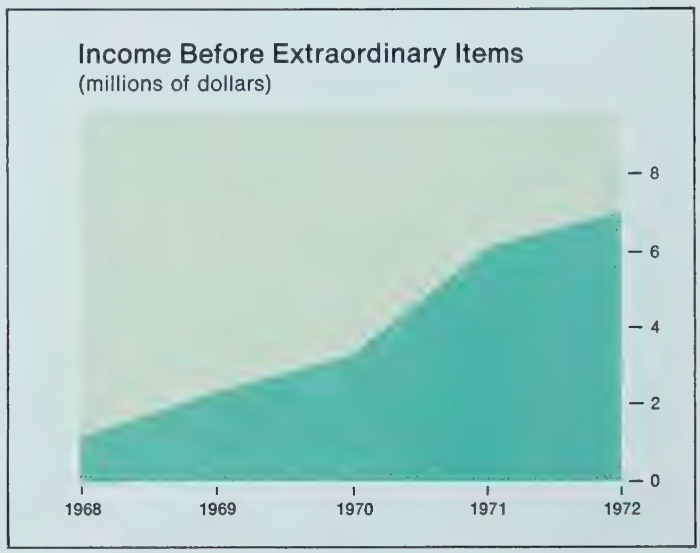
division's 1972 activities were major hydro electric developments in Northern Manitoba, and Dempster Highway construction in the Mackenzie Delta. Significant additional hydro electric work, which will have an important effect on the operations of this division over the next three years, has recently been awarded. As the North opens, the Company believes that it is especially qualified to participate in opportunities which this will afford, in view of its wide experience in many phases of northern construction work, from resource development to the building of planned communities.

Land Development and Housing

The Company's land development operations have endeavoured during 1972 to improve the balance, in Winnipeg, Calgary, Edmonton and Vancouver, between the inventory of serviced lots and the on-going requirements of the Company's house building divisions. In the prairie cities, this goal has been achieved, while in Vancouver, where problems of land assembly are difficult, a start is nevertheless being made in planned subdivision development. In large subdivisions, it is normal for the Company to use about 25% of its own developed land for its housing operations, and to sell the balance to other builders. The major factor in establishing lot prices in Company subdivisions is the costs of municipal services and requirements which have risen sharply in recent years as a result of public and municipal demands for higher standards. Despite these conditions, the maintenance of relatively low lot prices in Company subdivisions in Winnipeg, Calgary and Edmonton, when viewed in the Canadian perspective, is evidence of the Company's efforts to make serviced land available to a broad economic spectrum of Canadians.

During the year, the Company's housing operations sold





	1972	1971	1970	1969	1968
			(thousands of dollars)		
REVENUES	**215,985**	151,188	100,358	104,904	54,743
COSTS AND EXPENSES					
Cost of sales	**163,833**	115,018	73,478	79,099	41,906
Selling, general and administrative	**20,193**	13,050	11,354	8,743	3,632
Depreciation, depletion and amortization	**10,566**	6,634	5,375	4,864	2,337
Interest on long-term debt	**3,480**	2,242	1,738	1,467	882
Other interest	**2,991**	1,736	2,448	1,289	1,239
	201,063	138,680	94,393	95,462	49,996
INCOME BEFORE THE FOLLOWING	**14,922**	12,508	5,965	9,442	4,747
Provision for income taxes	**7,774**	6,477	3,045	5,206	2,453
Minority interest	**52**	34	236	2,031	1,193
	7,826	6,511	3,281	7,237	3,646
INCOME BEFORE EXTRAORDINARY ITEMS	**$ 7,096**	$ 5,997	$ 2,684	$ 2,205	$ 1,101
SHAREHOLDERS' EQUITY	**$ 54,596**	$ 49,554	$ 39,972	$ 22,064	$ 13,461
RETURN ON SHAREHOLDERS' EQUITY	**13.0%**	12.1%	7.2%	10.0%	10.0%

The company's original interest was acquired effective July 1, 1968 and substantially increased in 1970. Return on equity has been determined assuming that these interests were held for the full year.

more than 2,300 new homes in Western Canada; one-third of these were constructed using conventional on-site building methods, while the remainder were built with preassembled components manufactured in the Company's Calgary factory. One-quarter of the factory output was sold for erection by the Company's allied-builder organization. To meet well-recognized needs, the Company has been able to implement new concepts in its efforts toward the development of homes at the lowest possible price. The Western Canadian market for single family and semi-detached homes is strong and the outlook is for continuation of this demand.

Community recreation facilities provided in a Company subdivision in Alberta.

CEMENT

The integration of Ocean's cement operations with existing facilities during the year contributed to the stronger performance of this segment of the Company's activities with new sales and earnings records being established. Total sales of the division increased from $26 million in 1971 to $42.6 million in 1972, and the combined operations surpassed their comparable 1971 tonnage by 7%. Also contributing to the favourable results were operating efficiency measures, cost control programs and a modest price adjustment in some areas. The latter was necessary to partially offset continuing increases in costs. The division's four union contracts expire and will be renegotiated in the latter part of 1973.

The dollar value of construction contract awards in Western Canada exceeded 1971 by 18% with the major portion of this increase being in British Columbia. Actual construction activity, as represented by building permits and housing starts, also exceeded 1971 figures, but to a lesser degree than the construction intentions as measured by construction awards.

During the latter part of the year, improved markets on the West Coast helped the division recover volume lost as a result of labour interruptions in the construction industry earlier in the year. Steady demand on the Prairies and increased export sales also contributed to the higher volumes achieved in 1972.

Throughout 1972, all plants and quarries operated satisfactorily with plant utilization of approximately 81% being achieved. During the year, a start was made on a $600,000 central control system for the Edmonton plant. Designed to increase efficiency, this system is scheduled to be in operation by 1974. Studies are also presently underway to improve the efficiency and capacity of the Bamberton plant on Vancouver Island in order to meet the needs of the expanding market on the West Coast.

All plants are operating within current environmental standards. Planning and government liaison are maintained so that pollution abatement programs will continue to be consistent with federal and provincial regulations. In-plant environmental conditions are also being carefully examined and controlled in the interest of employee safety and welfare. One such example is the recent institution of a comprehensive hearing conservation program.

The outlook for the cement division is favourable, as the buoyant level of housing and construction activity in Western Canada is expected to continue through the current year and produce a steady growth in cement consumption.

Revenues (millions of dollars)

Income Before Extraordinary Items (millions of dollars)

Kiln at the Company's Winnipeg cement plant.

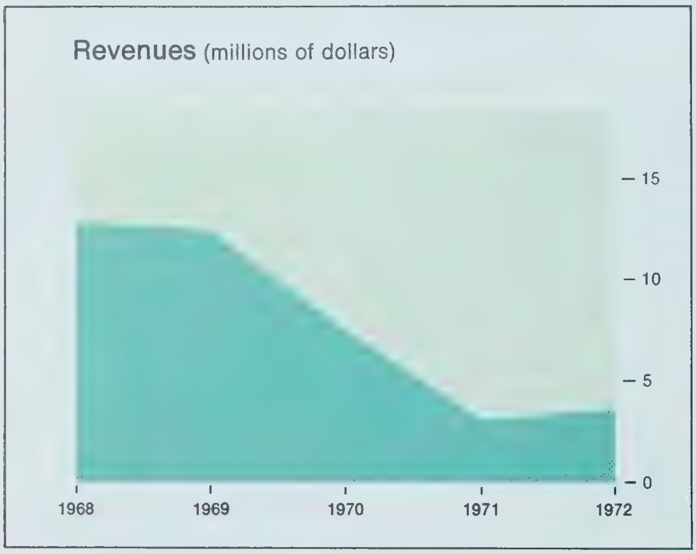
	1972	1971	1970	1969	1968
			(thousands of dollars)		
REVENUES	**42,808**	26,009	23,851	28,024	25,698
COSTS AND EXPENSES					
Cost of sales	**25,569**	15,130	14,900	17,005	15,306
Selling, general and administrative	**3,444**	2,430	2,416	2,299	2,421
Depreciation, depletion and amortization	**3,059**	2,019	2,119	1,996	2,238
Interest on long-term debt	**1,229**	441	571	775	691
Other interest	**319**	348	244	134	300
	33,620	20,368	20,250	22,209	20,956
INCOME BEFORE THE FOLLOWING	**9,188**	5,641	3,601	5,815	4,742
Provision for income taxes	**4,484**	2,769	1,881	3,037	2,389
INCOME BEFORE EXTRAORDINARY ITEMS	**$ 4,704**	$ 2,872	$ 1,720	$ 2,778	$ 2,353
SHAREHOLDERS' EQUITY	**$ 25,169**	$ 20,787	$ 24,389	$ 28,475	$ 25,049
RETURN ON SHAREHOLDERS' EQUITY	**18.7%**	13.8%	7.1%	9.8%	9.4%

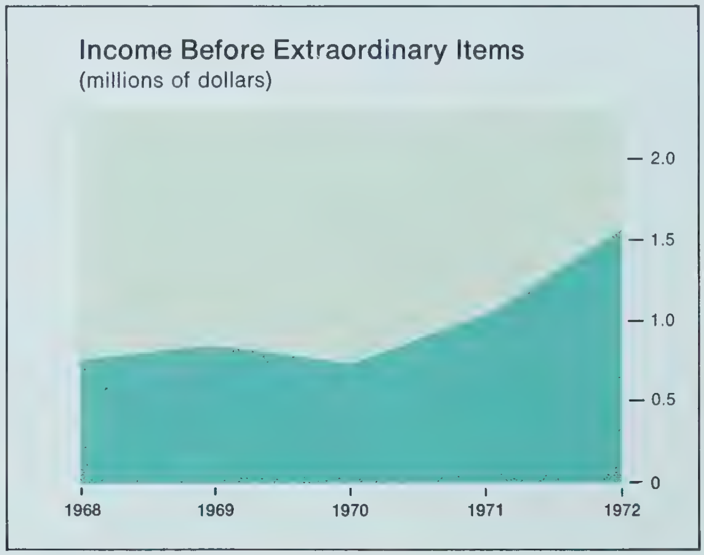
MARINE

Earnings increased substantially over the previous year notwithstanding strikes on both the East and West Coasts and losses resulting from the operations of a marine and logging business at Williston Lake in British Columbia which has since been closed down.

Seaspan
Log barging, an important revenue producing activity of this 50% owned West Coast operation, was adversely affected by a ten-week International Woodworkers strike which ended July 16. Earlier in the year, log barging revenues had reached a record high as a result of total equipment utilization due, in part, to anticipation of the strike and a corresponding higher volume of shipments by pulp and paper companies. Seaspan's acquisition in June of F.M. Yorke & Son Ltd., a long established B.C. towboat company, combined with settlement of the IWA strike, resulted in a strong second half recovery in earnings. Yorke operates self-propelled rail barges, tow barges and tugs on the B.C. coast and also leases car barges on the Great Lakes. Full effect of the addition of these operations will be felt in 1973.

1972 was a busy and profitable year for the shipyard operation, both in repairs and new construction. Important contracts completed during the year included modification of a ferry for the B.C. Government Ferry Authority, construction of three automobile and passenger ferries for the B.C. Department of Highways, three chip barges for a towing company and a 240-foot oil carrying barge for Seaspan's own fleet. Late in the year, the shipyard was awarded a contract valued at $1.5 million to construct three barges and another contract to build a research laboratory barge for





	1972	1971	1970	1969	1968
			(thousands of dollars)		
REVENUES	**4,113**	3,138	7,442	12,880	13,294
EXPENSES					
Operations	**1,321**	1,055	4,657	7,853	8,217
Selling, general and administrative	**247**	405	1,023	1,681	1,654
Depreciation	**220**	153	780	1,178	1,356
Interest on long-term debt	**103**	38	174	403	421
Other interest	**10**	27	14	11	
	1,901	1,678	6,648	11,126	11,648
INCOME BEFORE THE FOLLOWING	**2,212**	1,460	794	1,754	1,646
Provision for income taxes	**283**	(22)	71	847	864
Loss (income) on operations of discontinued business, net of income taxes	**258**	333	(31)	29	
	541	311	40	876	864
INCOME BEFORE EXTRAORDINARY ITEMS	**$ 1,671**	$ 1,149	$ 754	$ 878	$ 782
SHAREHOLDERS' EQUITY	**$ 10,831**	$ 9,788	$ 8,118	$ 7,473	$ 6,058
RETURN ON SHAREHOLDERS' EQUITY	**15.4%**	11.7%	9.3%	11.7%	12.9%

In July 1970, a subsidiary was merged with another company resulting in a 50% owned company whose net income of $1,549,000, $1,479,000 and $502,000 for the years 1972, 1971 and six months of 1970 respectively are included in Revenues.

the Federal Government Fisheries Research Department. With a substantial backlog at year-end, shipyard activities are expected to continue at a brisk pace in 1973.

It is anticipated that operating earnings will continue to increase in 1973. However, total earnings of these operations will probably be lower as a result of the termination of special tax incentives available to the marine industry.

McAllister Towing
McAllister Towing's shipdocking revenue was slightly lower in 1972. Increased activity early in the year caused by a United States East Coast labour strike was offset by a prolonged Montreal Longshoremen's strike in May and June. However additional salvage activity, together with the company's appointment by an association of Montreal refineries as prime contractor for removal of oil spillage on the St. Lawrence River, produced a significant increase in the year's earnings. Oil pollution control operations are expected to be an expanding source of future revenues. The Company, in conjunction with Seaspan International Ltd., is continuing to explore opportunities to establish a tug-barge operation in Eastern Canada.

Seaspan equipment in operation in the Victoria harbour.

VENTURE CAPITAL AND REAL ESTATE

The Company's venture capital and real estate activities in California progressed satisfactorily in 1972 with a substantial increase in earnings over the previous year. Operations now include investments in 31, high technology, U.S.-based companies, as well as real estate, shopping centre development and house-building activities in the Western United States.

Venture Capital

In 1972, revenues and earnings from venture capital activities surpassed previous levels. Among the most important events in the year was the sale of two portfolio companies, Diablo Systems Inc., and Spin Physics Inc., to Xerox Corporation and Eastman Kodak Company respectively. Two other portfolio companies, Measurex Corporation and Lexitron Corporation successfully completed public offerings. Investment activity continues to be concentrated on innovative, technically based manufacturing companies and during 1972, five companies were added to the portfolio:

Antex Industries Incorporated, Palo Alto, California —
Light-emitting diodes and related display products

Entrex Incorporated, Burlington, Massachusetts —
Key-to-disc data entry systems

Prime Computer Incorporated, Natick, Massachusetts —
Small computer systems

Terminal Communications Incorporated, Raleigh, North Carolina —
Terminal reservation systems

Business Systems Technology Incorporated, Orange, California —
Memory systems for IBM System/3 Computer

Also, additional investments were made in the following portfolio companies:

Xytex Corporation, Boulder, Colorado —
Automated tape library for computer installations

Duplicon Corporation, Newport Beach, California —
Plain-paper office copiers

The venture capital industry has now established itself as a major vehicle for the profitable development of technology in North America. The Company, through its California venture capital operations, further strengthened its position this year as one of the major companies in this fast growing field.

Real Estate

Future prospects for shopping centre development in California are encouraging as the economy appears to have recovered from its slump of the past few years. In anticipation of the increasing demand for housing, 253,000 new dwelling units were built in 1972, the highest level since the peak years of 1963 and 1964. This rapid growth has been fuelled by an ample supply of low cost mortgage and construction funds.

During the year, expansion into Southern California was initiated through a new shopping centre development and a joint venture of a 160-acre combination residential and commercial development in San Diego County. Further participation in the important California housing market will be accomplished in 1973 upon completion of an agreement made at the end of 1972 to exchange 133,334 common shares of the Company for all the outstanding shares of Richard B. Smith Inc., a residential homebuilder located in Tustin, California. Smith builds a wide range of homes under the Broadmoor name principally in Southern Orange County, one of the fastest growing areas of California. This company has excellent earnings potential and is expected to provide a strong impetus to the Company's California real estate activities in addition to serving as a base for future expansion.

Revenues (millions of dollars)

Income Before Extraordinary Items (millions of dollars)

ABOVE — Computer installation using magnetic tape drives of Storage Technology Corporation, a Venture Capital investment.
BELOW — Northridge Regional Shopping Centre in Salinas, California, planned and developed by the Company's Real Estate operations.

	1972	1971	1970	1969	1968
			(thousands of dollars)		
REVENUES	**7,157**	6,560	2,834	2,254	1,633
EXPENSES					
Operations	**4,389**	4,266	997	819	238
Selling, general and administrative	**666**	846	782	445	401
Depreciation	**47**	33	7	9	10
Interest on long-term debt	**174**	227	322	194	191
Other interest	**59**	9			
	5,335	5,381	2,108	1,467	840
INCOME BEFORE THE FOLLOWING	**1,822**	1,179	726	787	793
Provision for income taxes	**689**	404	171	191	288
Minority interest	**78**	87			
	767	491	171	191	288
INCOME BEFORE EXTRAORDINARY ITEMS	**$ 1,055**	$ 688	$ 555	$ 596	$ 505
SHAREHOLDERS' EQUITY	**$ 10,500**	$ 9,034	$ 6,232	$ 3,446	$ 2,583
RETURN ON SHAREHOLDERS' EQUITY	**10.0%**	7.6%	8.9%	17.3%	19.6%

CHEMICALS AND FERTILIZERS

Although sales volumes for chemicals and fertilizers increased over the previous year, profits continued to be hampered by low market prices and rising costs. For the past five years, the entire Canadian chemical and fertilizer industry has suffered from spiralling costs and deteriorating prices caused by severe over-capacity. In 1972, there was some evidence of a trend to a more balanced supply and demand situation in the fertilizer industry. There is optimism that this pattern will continue in 1973 and prices are expected to strengthen.

It is anticipated that a shortage of fertilizer raw material could develop throughout North America during 1973 and for several years thereafter.

The Company is continuing to explore all available means to rationalize its production and distribution facilities with the objective of streamlining operations and improving profitability.

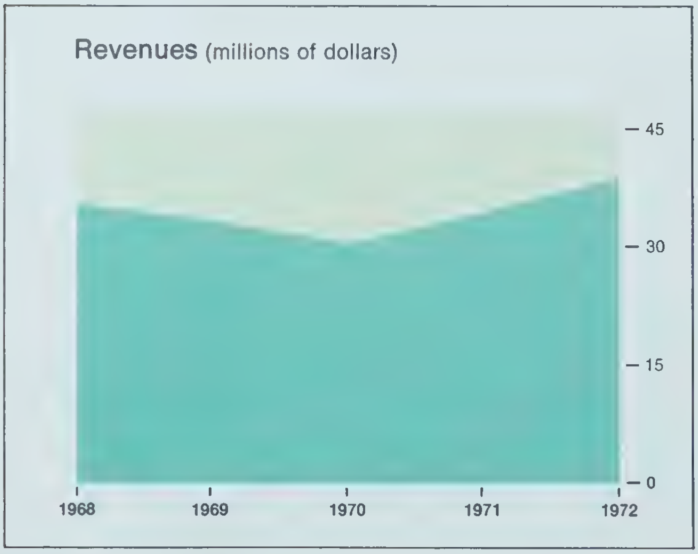
Chemicals

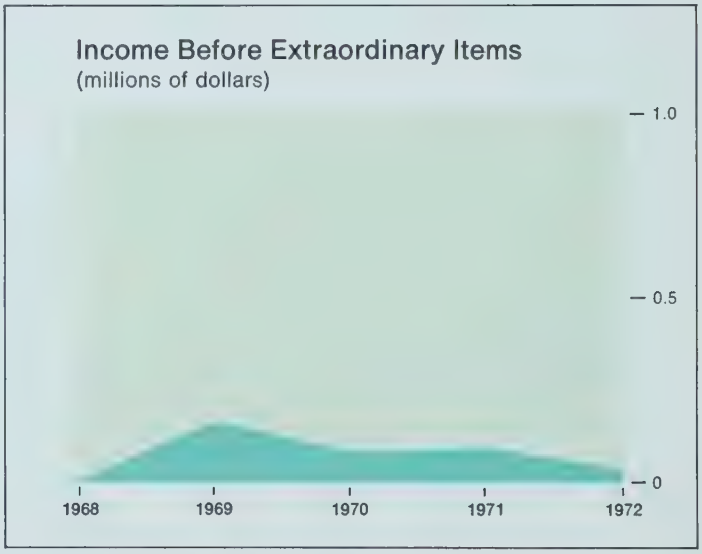
Cost savings were achieved during the year through improved production efficiencies and reduced plant overhead. While sales volume is expected to remain relatively unchanged in 1973, higher selling prices and continued full utilization of production facilities are expected to offset anticipated cost increases. During 1972, new tariffs for natural gas supply were filed with the National Energy Board of Canada which would substantially increase the industry's basic production costs. Representations have been made, in conjunction with other members of the industry, to obtain full exemption from the proposed rate increases. No decision has yet been reached by the National Energy Board.

Fertilizers

Anticipated gains in 1972 fertilizer volume failed to materialize due to an abnormally late spring and unfavourable weather conditions throughout most of Eastern Canada. Total sales for the year were slightly above 1971 levels largely as a result of an export order to India.

Greater emphasis in 1973 is to be placed on the retail distribution of Nutrite brand lawn and garden fertilizers through broadening of the product line and penetration of new markets.





LEFT — High capacity air plant at the Company's chemical complex in Maitland, Ontario.
RIGHT — Quality control sample taken from a fertilizer shipment.

	1972	1971	1970	1969	1968
			(thousands of dollars)		
REVENUES	**38,906**	36,689	32,931	35,326	36,465
COSTS AND EXPENSES					
Cost of sales	**31,998**	29,630	26,396	28,149	29,312
Selling, general and administrative	**4,039**	3,994	3,493	3,950	4,342
Depreciation	**2,108**	2,098	2,074	2,066	1,984
Interest on long-term debt	**620**	441	533	675	564
Other interest	**85**	369	224	117	243
	38,850	36,352	32,720	34,957	36,445
INCOME BEFORE THE FOLLOWING	**56**	157	211	369	20
Provision for income taxes	**22**	56	115	194	17
INCOME BEFORE EXTRAORDINARY ITEMS	**$ 34**	$ 101	$ 96	$ 175	$ 3
SHAREHOLDERS' EQUITY	**$ 21,948**	$ 23,806	$ 25,967	$ 26,471	$ 21,129
RETURN ON SHAREHOLDERS' EQUITY	**0.2%**	0.4%	0.4%	0.7%	0.0%

IMPORT-EXPORT AND INDUSTRIAL PRODUCTS

Operations during 1972 improved significantly over the previous year in most sectors. Labour difficulties in Canada and the United States together with low domestic steel prices in Canada prevented a full recovery by this division during 1972.

Import-Export

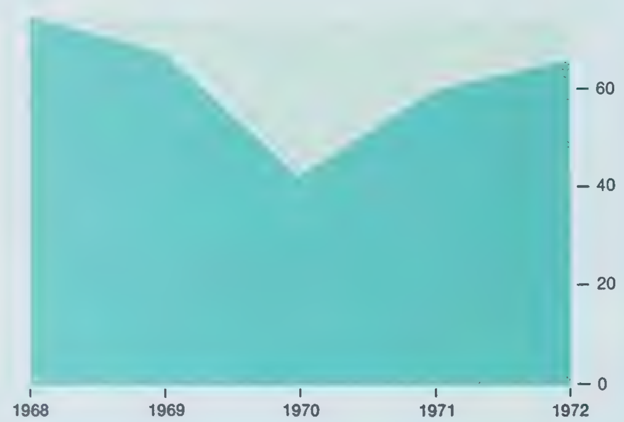
In the United States, the steel import operations showed excellent results for the year. The non-ferrous operations benefited from a shortage of zinc in the United States and consistent support from the principal suppliers contributed to a record sales volume. The export department expanded its marketing territory and obtained exclusive sales rights in foreign countries from some United States manufacturers.

The outlook for the current year is favourable although rising prices in world markets in the face of uncertainties about foreign exchange rates may affect the division's performance. In Canada, import-export operations were hampered by price increases on European steel imports as a result of currency realignments in 1971 which tended to reduce overall steel imports during 1972. However, sales of electrical steel during the year were not affected since annual contracts had previously been negotiated at firm mill prices in Canadian dollars for the entire 1972 season.

Industrial Products

Sales of industrial products including fabricated steel and rubber products were below expectations. The current year should show improvement, especially in the fabrication operations in the United States, where the improved economic conditions and increased demand for pollution control equipment should provide satisfactory results.

In the last quarter the Neelon Steel operation, an unprofitable grinding ball foundry in Sudbury, Ontario, was closed down.



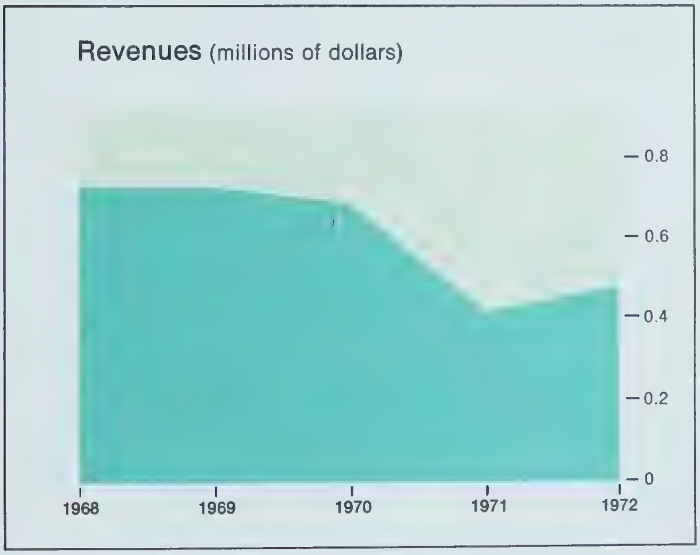
	1972	1971	1970	1969	1968
			(thousands of dollars)		
REVENUES	**67,049**	60,901	43,557	68,113	75,949
COSTS AND EXPENSES					
Cost of sales	**62,839**	57,509	40,173	64,375	72,277
Selling, general and administrative	**2,854**	2,661	2,301	3,250	3,288
Depreciation	**188**	138	116	86	76
Interest on long-term debt	**152**	101	405	657	219
Other interest	**372**	487	342	821	34
	66,405	60,896	43,337	69,189	75,894
INCOME (LOSS) BEFORE THE FOLLOWING	**644**	5	220	(1,076)	55
Provision for income taxes	**182**	(14)	86	(760)	(53)
Loss (income) on operations of discontinued business, net of income taxes	**142**	143	47	(2)	17
	324	(129)	133	(762)	(36)
INCOME (LOSS) BEFORE EXTRAORDINARY ITEMS	**$ 320**	$ (124)	$ 87	$ (314)	$ 91
SHAREHOLDERS' EQUITY	**$ 3,478**	$ 2,892	$ 3,016	$ 3,022	$ 3,605
RETURN ON SHAREHOLDERS' EQUITY	**9.2%**	(4.3%)	2.8%	(10.4%)	2.5%

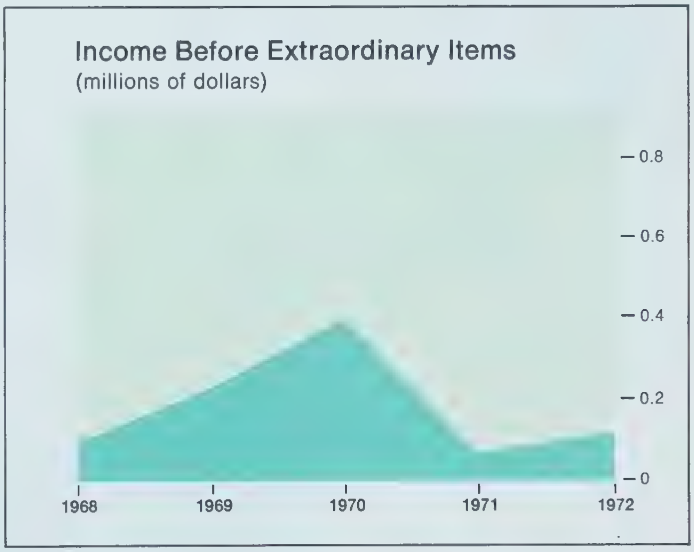
INVESTMENTS

This section of the Company's activities relates to general investments which are not an integral part of any division. The investments include securities in other Canadian companies in addition to some real estate holdings.

The principal investment is a 13% interest in the common shares of Fraser Companies, Limited, a major pulp and paper company operating in both Canada and the United States. In 1972, Fraser reported a loss of 32 cents per share compared to a loss of $2.08 per share in 1971 and declared a dividend of 10 cents per share, down from 15 cents per share in 1971.

The 1972 operating year remained a difficult one for Fraser, as the carry-forward effects of the 1971 labour disruptions and the continuing weak markets for fine papers hampered Fraser's recovery. Other negative influences were present in the low margins and short production runs which highly competitive market conditions produced. Nonetheless, some improvement was evidenced in the final quarter of the year, as modest price firming helped achieve a profitable level of operations. Further improvements in earnings are expected in 1973 as a result of higher prices and longer production runs.





	1972	1971	1970	1969	1968
			(thousands of dollars)		
REVENUES	**497**	437	705	721	727
EXPENSES					
General and administrative	**145**	139	138	80	186
Interest on long-term debt	**273**	150	186	263	315
Other interest	**29**	120	79	46	130
	447	409	403	389	631
INCOME BEFORE THE FOLLOWING	**50**	28	302	332	96
Provision for income taxes	**(81)**	(43)	(108)	94	
INCOME BEFORE EXTRAORDINARY ITEMS	**$ 131**	$ 71	$ 410	$ 238	$ 96
SHAREHOLDERS' EQUITY	**$ 9,288**	$ 10,591	$ 11,606	$ 13,301	$ 14,809
RETURN ON SHAREHOLDERS' EQUITY	**1.4%**	0.7%	3.5%	1.8%	0.6%

LOCATIONS


U.S. ALASKA
CANADA
UNITED STATES
MEXICO
TERRACE
KITIMAT
PRINCE GEORGE
EDMONTON
RED DEER
SASKATOON
KAMLOOPS
CALGARY
REGINA
PORTAGE LA PRAIRIE
VANCOUVER
MOOSE JAW
LETHBRIDGE
WINNIPEG
THUNDER BAY
VICTORIA
WABUSH
SEPT-ILES
QUÉBEC
GRAND FALLS
SUMMERSIDE
MONTRÉAL
SAINT JOHN
WINDSOR
TORONTO
PRESQUE ISLE
HALIFAX
CHICAGO
NEW YORK
SAN FRANCISCO
AMARILLO
ODESSA
SAN ANTONIO
HOUSTON

CONSOLIDATED STATEMENT OF INCOME

For the year ended December 31, 1972
(thousands of dollars)

	1972 $	1971 $
Revenues		
Net sales and operations	**356,743**	274,095
Net income of 50% owned companies	**1,732**	1,560
Investment income	**655**	728
	359,130	276,383
Costs and Expenses		
Cost of sales and operations	**272,564**	215,449
Selling, general and administrative	**31,718**	22,266
Depreciation, depletion and amortization	**16,188**	11,075
Interest on long-term debt	**6,031**	3,640
Other interest	**3,865**	3,096
	330,366	255,526
Income Before the Following	**28,764**	20,857
Provision for income taxes		
Current	**13,792**	9,405
Deferred	**(439)**	222
	13,353	9,627
Loss on operations of discontinued businesses, net of income taxes	**400**	476
	13,753	10,103
Income Before Extraordinary Item	**15,011**	10,754
Extraordinary item		
Loss on disposal of discontinued businesses, net of income taxes	**687**	
Net Income for the Year	**14,324**	10,754

Income per Common Share	**1972**		1971
	Before extraordinary Item	*Net Income*	*Net Income*
Canadian Method			
Basic	**$1.67**	**$1.59**	$1.22
Fully Diluted	**1.41**	**1.35**	1.18
United States Method			
Primary	**1.66**	**1.58**	1.21
Fully Diluted	**1.43**	**1.37**	1.21

See notes to consolidated financial statements

CONSOLIDATED BALANCE SHEET

As at December 31, 1972
(thousands of dollars)

ASSETS

	1972 $	1971 $
Current Assets		
Cash and term deposits	**4,978**	10,049
Accounts and notes receivable — trade	**78,624**	64,363
— other	**5,072**	3,107
Inventories	**87,901**	76,794
Prepaid expenses	**990**	955
	177,565	155,268
Other Assets	**2,276**	1,791
Investments		
Portfolio securities	**15,651**	16,892
50% owned companies	**12,432**	12,912
Subsidiaries not consolidated	**2,001**	1,441
Real estate properties	**9,303**	6,783
Mortgages and loans	**2,437**	3,545
	41,824	41,573
Fixed Assets		
Properties, plants and equipment	**257,463**	253,674
Accumulated depreciation	**118,128**	106,410
	139,335	147,264
Intangible Assets arising from acquisitions	**35,019**	35,335
	396,019	381,231

	1972 $	1971 $
LIABILITIES		
Current Liabilities		
Bank advances and acceptances	**37,298**	68,848
Accounts and notes payable	**45,977**	31,860
Income taxes	**14,167**	11,076
Dividends payable	**1,397**	1,926
Mortgage advances and loans	**15,004**	16,070
Current portion of long-term debt	**12,791**	6,973
	126,634	136,753
Other Liabilities	**2,551**	2,678
Long-Term Debt	**103,596**	85,492
Deferred Income Taxes	**27,428**	29,856
	260,209	254,779
SHAREHOLDERS' EQUITY		
Capital Stock		
Authorized —		
2,000,000 preferred shares — par value $50 each		
15,000,000 common shares — without nominal or par value		
Issued and fully paid —		
9,042,816 common shares (1971 — 8,962,930)	**100,993**	100,121
Contributed Surplus	**6,967**	6,967
Retained Earnings	**27,850**	19,364
	135,810	126,452
	396,019	381,231

Signed on behalf of the Board

Director Edward C. Hoar

Director [signature]

See notes to consolidated financial statements

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS

For the year ended December 31, 1972
(thousands of dollars)

	1972 $	1971 $
Source of Funds		
Income before extraordinary item	**15,011**	10,754
Items not affecting funds —		
Depreciation, depletion and amortization	**16,188**	11,075
Deferred income taxes	**(439)**	222
Other	**324**	389
Funds from operations	**31,084**	22,440
Sale of —		
Other assets	**1,592**	620
Investments	**5,233**	5,632
Fixed assets	**3,274**	951
Issue or assumption of —		
Other liabilities	**558**	1,234
Long-term debt	**33,286**	42,801
Deferred income taxes		5,157
Common shares	**872**	1,562
Reduction of United States income taxes	**25**	58
	75,924	80,455
Use of Funds		
Purchase of —		
Other assets	**693**	275
Investments	**6,855**	8,756
Fixed assets	**11,916**	51,492
Intangible assets		8,694
Payment or reduction of —		
Other liabilities	**681**	362
Long-term debt	**15,512**	7,610
Deferred income taxes	**1,988**	
Dividends	**5,863**	5,312
	43,508	82,501
Working Capital		
Increase (decrease) in the year	**32,416**	(2,046)
At beginning of year	**18,515**	20,561
At end of year	**50,931**	18,515

See notes to consolidated financial statements

GENSTAR LIMITED

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS
(continued)

Changes in Elements of Working Capital	1972 $	1971 $
Current Assets — Increase (Decrease)		
Cash and term deposits	**(5,071)**	853
Accounts and notes receivable — trade	**14,261**	16,795
— other	**1,965**	(1,242)
Inventories	**11,107**	13,777
Prepaid expenses	**35**	(5)
	22,297	30,178
Current Liabilities — Increase (Decrease)		
Bank advances and acceptances	**(31,550)**	21,392
Accounts and notes payable	**14,117**	(1,674)
Income taxes	**3,091**	6,822
Dividends payable	**(529)**	803
Mortgage advances and loans	**(1,066)**	9,016
Current portion of long-term debt	**5,818**	(4,135)
	(10,119)	32,224
Increase (Decrease) in the Year	**32,416**	(2,046)

CONSOLIDATED STATEMENT OF RETAINED EARNINGS
For the year ended December 31, 1972 (thousands of dollars)

	1972 $	1971 $
Balance — Beginning of year	**19,364**	13,864
Net income for the year	**14,324**	10,754
Reduction of United States income taxes	**25**	58
	33,713	24,676
Dividends on common shares (1972 — $0.65, 1971 — $0.60)	**5,863**	5,312
Balance — End of year	**27,850**	19,364

See notes to consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 1972

1. ACCOUNTING POLICIES

Consolidation

The accounts of all subsidiaries, other than subsidiaries which are venture capital investments of a temporary nature, are consolidated either from the dates of acquisition on the basis of purchase accounting or retroactively on the basis of pooling of interest accounting.

Foreign Exchange

The accounts in foreign currencies are translated into Canadian dollars at the rates of exchange on the balance sheet date for current assets and current liabilities, on the date of the transaction for other balance sheet accounts and related depreciation and at the average rate for the year for revenues and expenses.

Inventories

Inventories used in determining cost of sales are valued at the lower of cost or net realizable value. The cost of land and houses under construction is determined on a specific item basis and cost of other inventories generally on a first-in first-out basis. The cost of services installed, and interest and property taxes incurred prior to development, are included in land inventory.

Investments

Portfolio securities, subsidiaries not consolidated, and mortgages and loans are valued at the lower of cost or net realizable value. Companies which are 50% owned and real estate properties are carried on the equity basis.

Income Recognition

Income from construction contracts is recognized on a progress basis; from house sales, on receipt of the down payment from an approved purchaser; from land sales, on fulfilling all material requirements of the sales agreement; and from venture capital investing, on the sale of the investments.

Depreciation, Depletion and Amortization

Depreciation of plants and equipment is provided generally on the straight-line method at various rates based on the estimated useful life. Depletion of quarries and gravel deposits is provided on the unit of extraction method. Intangible assets arising from acquisitions prior to November 1970 in the amount of $31,257,000 are not being amortized and the remainder is being amortized over forty years.

2. BUSINESS COMBINATIONS

The following business combinations have been consolidated on the basis of purchase accounting:

> The remaining 50% of the shares of a manufacturer of building materials was acquired in April 1972 pursuant to an agreement with the other shareholders. During 1971, all of the shares of four companies and 98.5% of the shares of one company were acquired pursuant to agreements and take-over bids. These companies are engaged in cement, building materials, land development, housing and construction operations. In addition, a subsidiary, 62.2% owned, was consolidated as it was no longer considered to be a venture capital investment.

	1972	1971
	(thousands of dollars)	
Net Assets Acquired		
Net tangible assets at the carrying value of the acquired companies	327	34,075
Intangible assets at the carrying value of the acquired companies		305
Allocation of purchase price to net tangible assets	(297)	7,385
Minority interest		(826)
Intangible assets arising from acquisitions		3,028
	$ 30	$ 43,967
Consideration		
Cash	30	12,978
Notes payable		1,080
6½ % convertible debentures		29,909
	$ 30	$ 43,967

The pro forma consolidated results assuming these business combinations had taken place on January 1, 1971 are as follows:

	1972	1971
	(thousands of dollars)	
Revenues	$361,740	$326,891
Income before extraordinary item	14,849	12,088
Net income	14,162	12,088

	1972		1971
	Before Extraordinary Item	Net Income	Net Income
Pro Forma Income per Common Share			
Canadian Method			
Basic	$1.65	$1.58	$1.37
Fully diluted	1.39	1.33	1.16
United States Method			
Primary	1.64	1.57	1.36
Fully diluted	1.42	1.36	1.18

3. INVENTORIES

	1972	1971
	(thousands of dollars)	
Finished goods	12,088	11,855
Work in process	15,608	16,504
Raw materials and supplies	17,296	13,654
Land held for development and sale	39,369	32,218
Maintenance and repair parts	3,540	2,563
	$ 87,901	$ 76,794

4. INVESTMENTS

Portfolio securities include marketable shares which are carried at a cost of $11,121,000 (1971 — $10,296,000) and have a quoted value of $13,483,000 (1971 — $6,864,000). The investment of $12,432,000 (1971 — $12,912,000) in 50% owned companies is represented by net assets of $10,807,000 (1971 — $10,845,000). The investment of $2,001,000 (1971 — $1,441,000) in subsidiaries not consolidated is represented by net assets of $1,480,000 (1971 — $911,000). Provision has not been made for losses of $55,000 since acquisition.

5. FIXED ASSETS

	1972			*1971*
	Assets	*Accumulated Depreciation*	*Net*	*Net*
	(thousands of dollars)			
Land	8,834		8,834	9,792
Buildings	55,010	18,260	36,750	37,442
Machinery and equipment	182,429	97,199	85,230	90,918
Quarries and gravel deposits	11,190	2,669	8,521	9,112
	$257,463	$118,128	$139,335	$147,264

Fixed assets are stated at cost which includes $24,566,000 at December 31, 1972 (1971 — $24,863,000) representing the allocated portion of the difference between the cost of investments in subsidiaries and the net assets at the carrying value of the acquired companies.

6. LONG-TERM DEBT

	1972		*1971*
	Current Portion	*Total*	*Total*
	(thousands of dollars)		
5⅞% to 8% First mortgage sinking fund bonds due to 1988	1,120	24,612	26,352
6½% Convertible debentures due in 1992		29,867	29,909
Term bank loan at prime rate plus 1¼% due to 1979	3,000	30,000	
5% to 8% Debentures due to 1987	670	6,195	5,481
6% to 10% Mortgages due to 1997	431	4,786	3,722
5% to 10% notes due to 1985	2,212	10,107	13,316
Non-interest bearing notes due to 1981	5,358	10,820	13,685
	$ 12,791	116,387	92,465
Current portion		12,791	6,973
		$103,596	$ 85,492

The convertible debentures are convertible into 2,146,736 (1971 — 2,149,752) common shares, being a conversion price of $13.913 per common share. Of these debentures, $16,997,500 are convertible after December 14, 1973 unless the holder has elected by that date to receive repayment in five equal annual instalments commencing in December 1974 with interest at 2% over the prime bank rate. Non-interest bearing notes include $275,000 (1971 — $525,000) which are convertible at $15.00 per share into 18,333 (1971 — 35,000) common shares.

As a result of the purchase of a subsidiary, $3,585,000 (1971 — $4,351,000) of the non-interest bearing notes are held by a company of which a director is the principal creditor.

The following payments are required to meet long-term debt instalments and sinking fund provisions: 1974 — $13,602,000; 1975 — $8,772,000; 1976 — $8,021,000; and 1977 — $7,647,000.

7. CAPITAL STOCK

Common shares issued and fully paid are shown after deducting 806,151 shares, at their issue price of $15 per share, which were received as a result of previous shareholdings in companies acquired.

In prior years 1,490,037 common shares were issued for a total price of $20,945,000 in exchange for the shares of two subsidiaries. Since these subsidiaries were accounted for on a pooling of interest basis, these shares are stated on consolidation at $2,926,000. All of the outstanding common shares at December 31, 1972 were issued for a total consideration of $119,012,000 (1971 — $118,140,000).

Common shares issued during the year are as follows:

1972	*1971*	
37,500	17,000	for cash of $567,495 in 1972 and $182,920 in 1971, under the terms of the employees' stock purchase plan.
23,700	27,787	for cash of $95,010 in 1972 and $109,630 in 1971, under the terms of the employees' substitute stock option agreements.
15,450	600	for cash of $163,757 in 1972 and $4,740 in 1971, under the terms of the employees' stock option plan.
3,016		at $13.913 each, on conversion of $42,000 convertible debentures.
220		for cash of $3,300, on the exercise of share purchase warrants.
	110,000	at $11.50 each, in payment of non-interest bearing notes.
	530	at $13.15 each, in exchange for shares of a subsidiary.
79,886	155,917	

Share purchase warrants are outstanding at December 31, 1972 entitling the holders to purchase 299,580 (1971 — 299,800) common shares at $15 per share to June 1, 1973 and thereafter at $17 per share to June 1, 1978.

An option to purchase 116,666 common shares at $13.91 per share to October 31, 1979 was granted on obtaining the term bank loan.

Options to purchase 166,300 common shares at 90% of the market price have been granted to December 31, 1972 under an employees' stock option plan of which 5,500 were granted in 1972 (1971 — 11,000). At December 31, 1972, options for 71,900 (1971 — 81,850) shares at prices ranging from $7.90 to $14.75 have not been exercised.

In connection with the acquisition of a subsidiary, options to purchase 113,558 common shares at prices ranging from $2.53 to $4.05 were granted in substitution for outstanding employee stock options. At December 31, 1972, options for 10,725 (1971 — 34,425) shares have not been exercised.

At December 31, 1972, a total of 2,909,174 (1971 — 2,600,827) common shares have been reserved for issuance on the conversion of long-term debt and on the exercise of warrants and options.

Under the terms of an employees' stock purchase plan Trustees have purchased 121,800 common shares from the Company to December 31, 1972 at 99% of the market price. Included in other assets are advances of $1,556,000 (1971 — $971,000) which have been made to the Trustees who charge interest at 5% to the participants and hold the shares as security.

8. RETAINED EARNINGS

Assuming payment by all subsidiaries and 50% owned companies of dividends equal to their available retained earnings, approximately $22,700,000 of consolidated retained earnings would have been available for the payment of dividends. Amounts not available represent the retained earnings of subsidiaries at the dates of the business combinations which were accounted for on a pooling of interest basis together with taxes of $580,000 which would be payable if the earnings of certain subsidiaries were distributed to the Company. Provision has not been made for these taxes as it is not the intention to distribute the earnings of these subsidiaries.

9. ASSETS SUBJECT TO LIEN OR PLEDGE

Substantially all assets are subject to mortgages and/or floating charges securing indebtedness. Shares and notes of subsidiaries are pledged as security for the $30,000,000 term bank loan and $6,050,000 of the non-interest bearing notes. Certain accounts receivable and inventories are pledged as security for approximately $32,000,000 of current liabilities. Certain investments are pledged as security for the guarantee of bank loans of another company.

10. DISCONTINUED BUSINESSES

During 1972, the Company discontinued certain marine and industrial product operations and the net loss resulting from their operations in the year is shown separately after income tax recoveries of $383,000 (1971 — $528,000).

The extraordinary loss on the liquidation of these operations together with a loss on closing a building materials plant is as follows:

	Loss	*Income Taxes*	*Net*
	(thousands of dollars)		
Marine equipment	767	377	390
Steel foundry	478	248	230
Precast plant	130	63	67
	$1,375	$688	$687

11. INCOME PER COMMON SHARE

Canadian Method

Basic income per common share is the net income for the year divided by the average number of shares outstanding in 1972 of 8,991,311 (1971 — 8,827,618).

Fully diluted income per common share is the net income for the year plus (i) $175,000 (1971 — $178,000), being the after tax effect of a 6% (1971 — 6.4%) return imputed on the funds which would have been available from the exercise of warrants and options, and (ii) $955,000 (1971 — nil) being the after tax effect of interest on debt assumed to be converted, divided by an average number of shares outstanding of 11,471,105 (1971 — 9,278,692) reflecting the assumed conversion or exercise at the beginning of the year, or the date of issue if later, of all convertible debt, warrants and options.

United States Method

Primary income per common share is the net income for the year divided by the average number of shares outstanding in 1972 of 9,041,071 (1971 — 8,869,350) which includes common share equivalents.

Fully diluted income per common share is the net income for the year plus $955,000 (1971 — nil) being the after tax effect of interest on debt assumed to be converted divided by an average number of shares outstanding in 1972 of 11,143,844 (1971 — 8,873,655) reflecting the assumed conversion or exercise at the beginning of the year, or the date of issue if later, of all convertible debt, warrants and options.

12. ADDITIONAL INFORMATION

Remuneration of Directors and Officers	*1972* Directors	*1972* Officers	*1971* Directors	*1971* Officers
Genstar Limited	52,433	528,088	46,000	482,987
BACM Industries Limited		56,189		51,826
	$ 52,433	$584,277	$ 46,000	$534,813

In 1972 there were 17 directors and 12 officers, 4 of whom were also directors. In 1971 there were 16 directors and 12 officers, 4 of whom were also directors.

Retirement Plans

Contributions to retirement plans including prior service costs charged to earnings in 1972 amounted to $885,000 (1971—$556,000). These plans were fully funded at December 31, 1972 and 1971.

Reduction of United States Income Taxes

The reduction credited to retained earnings resulted from the sale of certain assets acquired at a cost which was less than the value established for income tax purposes.

Comparative Presentation

In 1972 a portion of the purchase price of a subsidiary acquired in December 1971 was allocated to net tangible assets and 1971 has been restated. Other accounts have been restated to conform with the presentation in 1972.

Proportion of Revenues by Industrial Category	*1972*	*1971*
Building Materials, Heavy Construction, Land Development and Housing	59%	55%
Cement	8%	7%
Chemicals and Fertilizers	11%	13%
Import-Export and Industrial Products	19%	22%
Other	3%	3%
	100%	100%

13. COMMITMENTS AND CONTINGENT LIABILITIES

On December 29, 1972, an agreement subject to a tax ruling was entered into under which 133,334 common shares will be issued in exchange for all the outstanding shares of a company engaged in the construction of homes.

In January 1973 legal action was commenced under the Combines Investigation Act against three subsidiaries of the Company in the cement and concrete products industries in British Columbia. The action against the two major subsidiaries relate to years prior to acquisition. It is not possible to determine the outcome of these proceedings at this time.

Minimum annual rentals under leases in effect at December 31, 1972 and expiring up to 1990 for properties, plants and equipment were $1,666,000 (1971 — $1,537,000).

Bank advances up to $1,416,000 (1971 — $1,063,000) of other companies have been guaranteed and as at December 31, 1972 $1,051,000 (1971 — $1,053,000) was advanced.

AUDITORS' REPORT

COOPERS & LYBRAND
CHARTERED ACCOUNTANTS

TO THE SHAREHOLDERS OF GENSTAR LIMITED

We have examined the consolidated balance sheets of GENSTAR LIMITED and subsidiaries as at December 31, 1972 and 1971 and the related consolidated statements of income, retained earnings and source and use of funds for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of GENSTAR LIMITED and subsidiaries as at December 31, 1972 and 1971 and the results of their operations and the source and use of their funds for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Coopers & Lybrand
Chartered Accountants

Montreal, Canada
February 20, 1973

DIVISIONS AND SUBSIDIARIES

BUILDING MATERIALS
HEAVY CONSTRUCTION
LAND DEVELOPMENT AND HOUSING

BACM Industries Limited

S. SIMKIN
Chairman of the Board and Chief Executive Officer

A. L. SIMKIN
Vice-Chairman and President

B. A. MONKMAN
Senior Vice-President
Concrete Products

I. SIMKIN
Senior Vice-President
Construction Operations

J. L. BODIE
Vice-President, Corporate and Management Services

T. R. DENTON
Vice-President, Administration, Secretary and General Counsel

K. C. KINSLEY
Vice-President, Finance

I. SPECTOR
Vice-President, Engineering and Technical Services

A. W. FALK
Vice-President, Precast Concrete Operations

E. M. GUSTAFSON
Vice-President, Housing Operations

V. S. G. LEWIS
Vice-President, Land Development Operations

R. A. ORR
Vice-President, Housing Operations

A. J. SMITH
Vice-President, Gypsum Products Operations

J. J. DENHOLM
Treasurer

Main Office

Winnipeg, Manitoba
Operations of most divisions are carried out from major centres in the provinces of Manitoba, Saskatchewan, Alberta and British Columbia.

BUILDING MATERIALS

Ready-mix concrete, concrete block and pipe, sand, gravel and classified aggregates, gypsum wallboard, precast products.

CONCRETE PRODUCTS

B. A. MONKMAN
Chairman and Managing Director

G. K. CRUIKSHANK
Vice-President, Finance

Western Region

J. L. HOLMAN
General Manager

Consolidated Concrete Limited — Alberta

J. L. HOLMAN
President and General Manager

K. G. EVANS
Vice-President and General Manager
Northern Alberta

Redi-Mix Limited — Saskatchewan

H. F. WARD
President and General Manager

Building Products and Provincial Concrete Division — Manitoba

E. ROSENBLAT
President and General Manager

Pacific Region

Ocean Construction Supplies Limited — British Columbia

B. A. MONKMAN
President

N. D. MacRITCHIE
Executive Vice-President

E. J. McCANCE
Vice-President

L. J. CAMPBELL
Treasurer

BUILDING MATERIALS (Cont'd)

GYPSUM PRODUCTS

Truroc Gypsum Products Ltd.

A. J. SMITH
President and General Manager

A. J. McLELLAN
Comptroller

PRECAST CONCRETE PRODUCTS

Con-Force Products Ltd.

A. W. FALK
President and General Manager

G. ADAM
Vice-President, Marketing and Engineering

T. J. BARTKIEWICZ
Vice-President, Operations

F. T. McALEER
Vice-President, Finance

H. NASH
Vice-President, Construction

HEAVY CONSTRUCTION

HEAVY CONSTRUCTION

B.A.C.M. Construction Company

B.A.C.M. Mine Developers Ltd.

CITY & PROVINCIAL SERVICES

B-A Construction Ltd.

Mulder Bros. Limited

Borger Construction Co. Ltd.

Northern Gravel Products Ltd.

Standard-General Construction Limited

I. SIMKIN
President and General Manager

J. J. DENHOLM
Vice-President, Finance

D. S. DUNCAN
Executive Vice-President, Heavy Construction

G. R. THOMPSON
Vice-President

LAND DEVELOPMENT AND HOUSING

B.A.C.M. Development Corporation Limited

V. S. G. LEWIS
President and General Manager

H. W. McADAMS
Vice-President
Finance and Administration

N. F. BOTHWELL
Vice-President

E. B. BODIE
Vice-President

Engineered Homes Limited

R. A. ORR
President and General Manager

J. E. WHITAKER
Vice-President, Finance

J. V. HAYWARD
Vice-President and Manager
Pacific Region

G. L. MAGNUSSEN
Vice-President and Manager
Central Region

C. D. WILSON
Vice-President and Manager
Southern Region

Keith Construction Company Limited

E. V. KEITH
Chairman of the Board

E. M. GUSTAFSON
President and General Manager

L. H. FRODSHAM
Executive Vice-President

R. J. KIMOFF
Vice-President

L. LUINI
Vice-President, Construction

B. C. EELES
Treasurer

CEMENT

Normal portland cement, oilwell cement, high early strength cement, masonry cement, sulphate resistant cement and special potash cement

Inland Cement Industries Limited

Ocean Cement Limited

WILLIAM S. ZIEGLER
Chairman of the Board

D. R. B. McARTHUR
President

GEORGE ROSS
Senior Vice-President — Marketing

H. B. McEWEN
Vice-President — Production

PAUL WACKO
Vice-President — Sales

R. J. ZIMMEL
Vice-President — Administration and Secretary-Treasurer

Main Office

Edmonton, Alberta

Plants

Edmonton, Alberta; Regina, Saskatchewan; Winnipeg, Manitoba; Bamberton, British Columbia

Distribution Centres

Calgary, Alberta; Saskatoon, Saskatchewan; Thunder Bay, Ontario; New Westminster, Prince George, Kitimat and Ft. Nelson, British Columbia.

Sales Offices

Edmonton, Calgary, Regina, Saskatoon, Winnipeg, Thunder Bay, Vancouver, Prince George.

Ocean Cement & Supplies Industries Limited

Wm. F. FOSTER
President

Main Office

Vancouver, British Columbia

MARINE

Marine towing, barge transportation and salvage operations in the ports of Vancouver and Victoria, the Pacific coastal waters and the high seas.

Seaspan International Ltd.

JAMES C. F. STEWART
Chairman of the Board

J. R. A. LINDSAY
President

NORRIS MARTIN
Vice-President — Marketing

R. E. TOLHURST
Vice-President — Operations

A. M. FOWLIS
Vice-President — Administration

EDWARD JUDD
Vice-President — Corporate Services

JOHN F. PEARSON
Vice-President and Secretary-Treasurer

Main Office

North Vancouver, British Columbia

Branch Office

Victoria, British Columbia

Ship building and ship repairing; syncrolift docking.

Vancouver Shipyards Co. Ltd.

JAMES C. F. STEWART
Chairman and President

VICTOR GADSBY
Manager

Docking of ships in the port of Montreal, towing, salvage and oil pollution control on the St. Lawrence River, Seaway and Great Lakes.

McAllister Towing Ltd.

DONAL G. McALLISTER
President

TREVOR H. CARON
Secretary-Treasurer

Main Office

Montreal, Quebec

VENTURE CAPITAL AND REAL ESTATE

SUTTER HILL

Development of shopping centres and residential properties, principally in California.

Sutter Hill Limited

GREGOR G. PETERSON
President

JACK R. TAYLOR
Executive Vice-President

DALE R. BLANCHARD
Vice-President and Treasurer

JOHN L. DE BENEDETTI
Vice-President

LORRIN C. TARLTON JR.
Vice-President

Main Office

Palo Alto, California

Venture Capital investment activities primarily in technology related companies.

Sutter Hill Capital Corporation
Sutter Hill Ventures

WILLIAM H. DRAPER III
President

PAUL M. WYTHES
Vice-President

DAVID L. ANDERSON
Treasurer and Secretary

Main Office

Palo Alto, California

FIRST AMERICAN

Title abstract and escrow services.

First American Title Guaranty Company

GERRY A. VERSSEN
Chairman of the Board

WILLIAM B. MORRISH
President

Main Office

San Jose, California

CHEMICALS AND FERTILIZERS

NUTRITE BULL'S EYE

Industrial chemicals and gases (nitrogen, hydrogen and carbon dioxide); fertilizers and fertilizer materials, including ammonia, ammonium nitrate, urea, nitrogen solutions; nitric acid.

Brockville Chemical Industries Limited

B. T. JOHNSON
Chairman of the Board and
Chief Executive Officer

K. M. BARTLETT
Vice-President — Marketing

J. CHANTRAINE
Vice-President — Chemical
Production and Development

J. WAYNE AUDETTE
Director of Administration

Main Office

Montreal, Quebec

Chemical Plant

Maitland, Ontario

Fertilizer Regional Offices

Toronto, Ontario; Montreal, Quebec; Saint John, New Brunswick.

Fertilizer Plants

Essex, Hanover, Exeter, Alliston, Toronto, Welland, Elmira, Chatham, Cornwall, Chesterville, Ontario; Montreal, Ste. Foy, Victoriaville, St. Arsene and Ste. Rosalie, Quebec; Saint John and Drummond, New Brunswick; Summerside, Prince Edward Island; Windsor, Nova Scotia; Presque Isle, Maine.

IMPORT-EXPORT AND INDUSTRIAL PRODUCTS

indussa CORPORATION

General mill representatives and importers specializing in ferrous and non-ferrous products from world suppliers to the United States and the export of domestic United States products.

Indussa Corporation

VICTOR V. SHICK
President

R. D. PATERSON
Vice-President

ARTHUR SCOTTO
Treasurer and Assistant Secretary

HOWARD H. BACHRACH
Secretary

Main Office
New York, N.Y.

General mill representatives and steel warehousing and fabricating.

Markle Steel Company

J. B. WILLIAMS
President

Main Office and Warehouse
Houston, Texas

Fabrication Plants
San Antonio, Texas
Odessa, Texas
Amarillo, Texas

General mill representatives specializing in imported ferrous products. Distributors of industrial rubber and other products. Rubber lining of pipes, tanks, pulleys, etc. for the mining industry.

Indussa Canada Limited

Industrial Sales Limited

GEORGE R. POOTMANS
President

VINCENT MADIGAN
General Manager — Industrial Sales

Main Office
Montreal, Quebec

Sales Offices and Warehouses
Sept-Iles, Quebec; Wabush, Labrador; Toronto, Ontario

Six months ended June 30, 1970

interim report

GENSTAR

TO THE SHAREHOLDERS

Consolidated income before extraordinary items of Genstar Limited and its subsidiaries for the first six months of 1970 amounted to $1,125,000 or 16 cents per share compared with income of $2,517,000 or 41 cents per share for the corresponding period of 1969. Prolonged labour strikes and the general economic slow-down resulting in decreased construction activity were the principal factors in the decline in earnings.

Cement

As a result of the general slow-down in the economy, restriction of government funds and postponement of large projects, the company's sales of cement were 21% below sales for the same period last year. In addition, the geographic mix of sales has resulted in average lower net returns at the plants. The company's ready-mix concrete operations in Vancouver were closed from early April until late July due to the construction strike in British Columbia and, consequently, a loss was incurred on this operation.

Marine

The company's marine activities on the west coast of Canada were affected by a strike of the Canadian Merchant Service Guild which lasted for a period of six weeks. In addition, the company absorbed costs of bringing new equipment into service which will benefit future periods. With the present softness in the economy, particularly in sales of lumber products to the United States, the volume of traffic handled was less than forecast.

Chemicals and Fertilizers

Fertilizer sales in the first six months of 1970 compare favourably to the volume of last year, however some price erosion in Canada has led to decreased margins. Fertilizer prices in the United States this year have been considerably firmer than in previous years.

BACM

Operations of BACM Industries Limited have been affected by the generally unfavourable economic conditions and, as a result,

CONSOLIDATED STATEMENT OF INCOME

(Unaudited)

Net Sales
Income before the following items
Depreciation
Interest on long term debt
Provision for income taxes
Minority interest
Income before extraordinary item
Gain on sale of assets
NET INCOME FOR THE PERIOD
Average number of common shares outstanding
Income per share
before extraordinary item
on extraordinary item
Total

construction activities were down. The decline is general in the BACM marketing area. However, the major profit reductions were experienced in the Provinces of Saskatchewan and Manitoba. Housing sales and shipments of concrete and concrete products also showed a decline from those of the previous year. Operations of the gypsum wallboard plant produced satisfactory results.

Import-Export and Industrial Products

Although the elimination of unprofitable lines caused a substantial reduction in sales volume of the company's import and export activities, the situation is now stabilized with corresponding improvements over the losses experienced last year. The company's Industrial Products' activities continue to operate at a profitable level.

Expansion and Acquisitions

As a result of a final exchange offer to the shareholders of BACM Industries Limited, Genstar now owns, or has agreements to purchase, 99% of the total outstanding shares of BACM. In June, BACM acquired Rex Holdings which provides BACM with a stronger position in Alberta.

During July, the company announced its intention to combine its west coast marine operations with similar operations on Canada's west coast owned by Dillingham Corporation of Honolulu, Hawaii. This integration of fleets is expected to provide more efficient operations and a stronger base for future expansion.

Outlook

The economic climate for the near term future remains difficult to predict. Many labour problems, particularly in British Columbia, cloud the overall picture. The increasing cost of labour is putting considerable pressure on earnings at a time when the government has instituted measures to control inflation.

Since the anti-inflationary policies appear to be taking effect, it is hoped that an upturn in the economy will result in generally improved conditions in the company's areas of activity.

3 Months ended June 30		*6 Months ended June 30*	
1970	*1969*	*1970*	*1969*
$62,350,000	$81,789,000	$98,428,000	$122,120,000
7,593,000	10,631,000	9,343,000	13,321,000
3,110,000	2,687,000	5,074,000	4,656,000
970,000	1,236,000	1,990,000	2,281,000
1,774,000	3,338,000	1,157,000	3,176,000
(19,000)	550,000	(3,000)	691,000
5,835,000	7,811,000	8,218,000	10,804,000
1,758,000	2,820,000	1,125,000	2,517,000
	40,000		355,000
$ 1,758,000	$ 2,860,000	$ 1,125,000	$ 2,872,000
		7,155,000	6,085,000
$ .25	$ .46	$ .16	$ .41
	.01		.06
$ .25	$ .47	$ .16	$ .47

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS

(Unaudited)

	6 Months ended June 30	
	1970	*1969*
Source of Funds		
Income for the period before extraordinary items	$ 1,125,000	$ 2,517,000
Add: items not requiring funds	6,225,000	6,831,000
Funds from operations	7,350,000	9,348,000
Proceeds from sale of investments	1,303,000	1,249,000
Issue of long term debt		3,225,000
Issue of common shares for cash	4,000	12,134,000
	8,657,000	25,956,000
Use of Funds		
Purchase of fixed assets	5,733,000	2,222,000
Purchase of investments	2,864,000	158,000
Funds used for acquisitions in excess of working capital acquired (net)	3,449,000	6,922,000
Reduction of long term debt due after one year	8,974,000	5,235,000
	21,020,000	14,537,000
Working Capital		
Increase (Decrease) in the period	(12,363,000)	11,419,000
At beginning of the year	38,881,000	26,365,000
At end of the period	$26,518,000	$37,784,000

August 14, 1970
Montreal, Canada

A. A. FRANC
President

ÉTAT CONSOLIDÉ DES MOUVEMENTS DE TRÉSORERIE

(avant vérification)

	6 mois terminés le 30 juin	
	1970	1969
Provenance des Fonds		
Revenu de la période avant les item extraordinaires	$ 1,125,000	$ 2,517,000
Ajouter: item autres que ceux de l'encaisse	6,225,000	6,831,000
Fonds provenant des opérations courantes	7,350,000	9,348,000
Produits de la vente de valeurs mobilières	1,303,000	1,249,000
Emission d'emprunt à long terme		3,225,000
Emission d'actions ordinaires en numéraire	4,000	12,134,000
	8,657,000	25,956,000
Utilisation des Fonds		
Achat d'actifs immobiliers	5,733,000	2,222,000
Achat de valeurs mobilières	2,864,000	158,000
Fonds utilisés pour acquisitions en excédent du fonds de roulement (net)	3,449,000	6,922,000
Réduction de la dette à long terme due après un an	8,974,000	5,235,000
	21,020,000	14,537,000
Fonds de Roulement		
Accroissement (diminution) de la période	(12,363,000)	11,419,000
Au début de l'année	38,881,000	26,365,000
A la fin de la période	$26,518,000	$37,784,000

Le 14 août 1970
Montréal, Canada

A. A. FRANCK
Président

IMPRIMÉ AU CANADA

sultat une activité réduite dans la construction. La baisse d'activités est générale dans le rayon de ventes de BACM. C'est cependant dans les provinces du Saskatchewan et de Manitoba que les plus fortes réductions de bénéfice ont été enregistrées. Les ventes d'habitations et les expéditions de béton et de produits de béton ont également connu un déclin par rapport à l'année antérieure. Des résultats satisfaisants ont été obtenus dans l'opération de l'usine de fabrication de panneaux de gypse.

Import Export et Produits Industriels

Bien que l'élimination de produits vendus sans bénéfice ait entraîné une réduction substantielle du volume de ventes dans les activités import export de la Société, on peut considérer que la situation est maintenant stabilisée et que les améliorations ont permis de réduire les pertes de l'an dernier. La division des produits industriels de la Société continue à maintenir son activité à un niveau opératoire bénéficiaire.

Développement et Acquisitions

La Société BACM Industries Limited, dont Genstar, après la levée d'options, détiendra 99% des actions en circulation, a pris le contrôle à Edmonton de Rex Holdings Ltd., spécialisée dans la fabrication d'éléments en béton destinés à la construction. Cette acquisition permettra à BACM de renforcer sa position dans l'Alberta.

En juillet dernier, Genstar a annoncé son intention de fusionner ses activités maritimes dans le Pacifique avec celles de Dillingham Corporation, Honolulu, Hawaï. Cette mise en commun d'intérêts entraînera diverses mesures de rationalisation et devrait avoir des effets favorables sur la rentabilité de cette nouvelle entité.

Perspectives

Il est difficile de prédire l'évolution dans un proche avenir de la conjoncture économique. De nombreux problèmes de main-d'oeuvre, tout spécialement en Colombie-Britannique, pèsent sur la situation générale. Le coût croissant de la main-d'oeuvre influence sensiblement les bénéfices alors que les autorités du pays prennent des mesures pour combattre l'inflation.

La politique anti-inflationniste produisant graduellement ses effets, il y a lieu d'espérer une amélioration générale de la situation dans les secteurs d'activité de la Société.

3 mois terminés le 30 juin		*6 mois terminés le 30 juin*	
1970	*1969*	*1970*	*1969*
$62,350,000	$81,789,000	$98,428,000	$122,120,000
7,593,000	10,631,000	9,343,000	13,321,000
3,110,000	2,687,000	5,074,000	4,656,000
970,000	1,236,000	1,990,000	2,281,000
1,774,000	3,338,000	1,157,000	3,176,000
(19,000)	550,000	(3,000)	691,000
5,835,000	7,811,000	8,218,000	10,804,000
1,758,000	2,820,000	1,125,000	2,517,000
	40,000		355,000
$ 1,758,000	$ 2,860,000	$ 1,125,000	$ 2,872,000
		7,155,000	6,085,000
$ .25	$ .46	$ .16	$ .41
	.01		.06
$ .25	$ .47	$ .16	$.47

AUX ACTIONNAIRES

Le bénéfice consolidé avant rentrées extraordinaires de la Société et de ses filiales, pour les premiers six mois de 1970, s'élève à $1,125,000 ou 16 cents par action contre $2,517,000 ou 41 cents par action pour le premier semestre de 1969. Des grèves prolongées et un ralentissement général de l'économie canadienne avec, comme conséquence, une activité réduite dans le secteur de la construction ont été les principaux facteurs de cette diminution du bénéfice d'exploitation.

Ciment

A la suite d'un ralentissement général de l'économie, de restrictions de crédit et de projets importants différés, les ventes de ciment de la Société ont diminué de 21% par rapport aux ventes de la même époque en 1969. En outre, la répartition géographique des ventes a conduit à des rentrées nettes moyennes inférieures pour les différentes usines. Les opérations de béton préparé de la Société à Vancouver ont été arrêtées depuis le début d'avril jusqu'à fin juillet par suite de la grève de la construction en Colombie-Britannique. En conséquence, ces opérations ont subi une perte.

Opérations Maritimes

Les opérations maritimes de la Société sur la côte ouest du Canada ont été affectées par la grève de la 'Canadian Merchant Service Guild', grève qui a duré six semaines. En plus, la Société a encouru des frais de mise en service de nouvel équipement qui sera profitable à l'exploitation future. Par suite de la faiblesse actuelle de l'économie, spécialement dans la vente de produits forestiers vers les Etats-Unis, le volume de produits transportés a été inférieur à la prévision.

Produits Chimiques et Engrais

Les ventes d'engrais des premiers six mois de 1970 se comparent favorablement au volume de ventes de l'année dernière. Cependant, une certaine érosion des prix au Canada a entraîné des marges bénéficiaires moindres. Les prix d'engrais aux Etats-Unis ont été considérablement plus fermes que l'année dernière.

BACM

Les opérations de BACM Industries Limited ont été affectées par les conditions économiques généralement défavorables avec pour ré-

ÉTAT CONSOLIDÉ DES BÉNÉFICES

(avant vérification)

Ventes nettes . . . .

Bénéfice avant déduction des postes suivants . . . .

Amortissement . . . .

Intérêts sur dette à long terme . . . .

Provision pour impôts sur le revenu . . . .

Participation minoritaire . . . .

Bénéfice avant recettes exceptionnelles . . . .

Bénéfice sur vente d'actifs . . . .

BÉNÉFICE NET POUR LA PÉRIODE . . . .

Nombre moyen d'actions ordinaires en circulation . . . . . .

Bénéfice par action

avant recettes exceptionnelles . . . .

recettes exceptionnelles . . . .

Total . . . .

Six mois terminés le 30 juin 1970

rapport provisoire

GENSTAR